

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 ABF-01

DRC-01 /169 W

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R 191440Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2270

UNCLAS LONDON 09108

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: REORGANIZATION AT THE BANK OF ENGLAND

REF: LONDON A-1229, OCTOBER 9, 1973

1. THE BANK OF ENGLAND HAS ESTABLISHED A NEW SENIOR POST IN A MOVE TO TIGHTEN UP ITS SUPERVISION OF THE BANKING COMMUNITY. MR. GEORGE BLUNDEN, 51, WILL HAVE FULL RESPONSIBILITY FOR BANKING SUPERVISION WHICH HAD FORMERLY BEEN CARRIED OUT BY THE DISCOUNT OFFICE WHICH WILL CEASE TO EXIST AS A SEPARATE ADMINISTRATIVE ENTITY.

2. JIM KEOGH, 57, THE PRESENT HEAD OF THE DISCOUNT OFFICE IS TO RETIRE AT THE END OF THIS YEAR AND UNTIL THEN WILL BE AVAILABLE FOR SPECIAL ASSIGNMENTS. THE DISCOUNT OFFICE IS BEING REPLACED BY A NEW DIVISION WITHIN THE CASHIER'S DEPARTMENT, WITH RODNEY GALPIN, 42, AT PRESENT MR. KEOGH'S DEPUTY, TAKING CHARGE AS A DEPUTY CHIEF CASHIER.

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3. THESE CHANGES ARE NOT TOTALLY UNEXPECTED (SEE REPAIR).

THEY REFLECT A RECOGNITION THAT THE TASK OF SUPERVISING THE BANKING SYSTEM IN THE UK HAS GROWN ENORMOUSLY IN THE PAST FEW YEARS, WITH THE NUMBER OF BANKS PROVIDING STATISTICS TO THE BOE RISING FROM 160 IN 1967 TO NEARLY 300 AT PRESENT. THESE MOVES BY THE BOE ALSO COME AGAINST THE BACKGROUND OF THE PROBLEMS OF THE SECONDARY BANKS LAST YEAR AND HERSTATT, FRANKLIN NATIONAL AND ISRAEL-BRITISH, MORE RECENTLY. THE BANK HAS RECENTLY BEEN TIGHTENING UP ITS SUPERVISION OF THE LONDON-BASED EURO CURRENCY MARKET AS A RESULT OF THE LARGE INFLOW OF OIL SURPLUS FUNDS.

4. THE CHANGES ARE SEEN AS AN EVOLUTION FROM THE BANK'S EXISTING INFORMAL METHODS OF CONTROL, RATHER THAN ANY REVOLUTIONARY STEP. THEY DO NOT PRECLUDE ANY POSSIBILITY OF MORE SPECIFIC LEGISLATION ON BANKING CONTROL, THOUGH THE BANK HAS TENDED TO OPPOSE FORMAL MEASURES.

5. AS THE FINANCIAL TIMES NOTES, THE DISCOUNT OFFICE HAS BEEN DESCRIBED AS "THE GOVERNOR'S EYES AND EARS IN THE CITY" AND IT IS EXPECTED THE NEW FORM OF SUPERVISION WILL CONTINUE TO RELY ON THIS FORM OF CONTACT. MR. GALPIN WILL HAVE PRIME RESPONSIBILITY FOR THE BOE'S RELATIONS WITH THE MEMBERS OF THE LONDON DISCOUNT MARKET ASSOCIATION.

6. OTHER PERSONNEL CHANGES ANNOUNCED INCLUDE: MR. GUY DE MOUBRAY REPLACING MR. BLUNDEN AS CHIEF OF MANAGEMENT SERVICES, AND MR. J.G. DRAKE SUCCEEDING MR. DEMOUBRAY AS HEAD OF MANAGEMENT DEVELOPMENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BIOGRAPHIC INFORMATION, BANKS, EXECUTIVE BRANCH, REORGANIZATIONS, PERSONNEL APPOINTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON09108
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740195-0249
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740735/aaaabdkk.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: LONDON A-1229, OCTOBER 9, 1973
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <22 JAN 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REORGANIZATION AT THE BANK OF ENGLAND
TAGS: EFIN, UK, BANK OF ENGLAND, (BLUNDEN, GEORGE), (KEOGH, JIM)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005